

Message Text

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ACTION EB-07

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FM AMEMBASSY ATHENS

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AMEMBASSY MANILA PRIORITY

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DEPT PASS TREASURY FOR DONALD SYVRUD

MANILA FOR US DELEGATION TO IMF/IBRD MEETING

E.O. 11652: N/A

TAGS: EFIN, GR

SUBJECT: GREECE'S BALANCE OF PAYMENTS; SOURCES OF FINANCE

REF: A) SMALL-LADOPOULOS AND SYVRUD-BENEDICK TELCONS:

B)ATHENS A-139.

1. BASED ON DISCUSSIONS WITH BANK OF GREECE OFFICIALS AND EIGHT MONTHS BALANCE OF PAYMENTS RESULTS (DETAILS OF WHICH WILL BE REPORTED SEPARATELY), GREECE WILL BE ABLE EASILY TO MEET ITS ESTIMATED OFFICIAL FINANCING REQUIREMENTS FOR 1976 WITH CURRENTLY AVAILABLE AID AND CREDIT LINES, WHICH INCLUDE:

A. US SECURITY ASSISTANCE. THERE IS A TOTAL OF \$209 MILLION AVAILABLE FROM THE FY 1976 PACKAGE ((\$110 MILLION FMS, \$34 MILLION MAP GRANT, \$65 MILLION AID COMMODITY IMPORT LOAN) PLUS \$46 MILLION IN TRANSITIONAL QUARTER FMS
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CREDITS. OF THIS, THE FY76 FMS AND MAP HAVE ALREADY BEEN

DISBURSED. HOWEVER, DUE TO THE NATURE OF MAP (WHICH CONSISTS OF A TRANSFER OF HARDWARE RATHER THAN A CONVENTIONAL FINANCIAL TRANSACTION), MAP GRANTS WILL EVIDENTLY NOT ENTER THE GREEK BALANCE OF PAYMENTS EITHER AS IMPORT OR CAPITAL ITEM. DEPENDING ON THE TYPE OF EQUIPMENT IMPORTED, IT IS ALSO POSSIBLE THAT SOME FMS TRANSACTIONS WILL BE OMITTED. THUS PART OF THE SECURITY ASSISTANCE PROGRAM WILL HAVE THE EFFECT OF REDUCING THE PUTATIVE FINANCING REQUIREMENTS (BY PAYING FOR MILITARY EQUIPMENT WHICH WOULD OTHERWISE HAVE BEEN IMPORTED COMMERCIALY) BUT WILL NOT APPEAR IN THE ACCOUNTS AS A SOURCE OF FINANCING.

B. CCC. \$40 MILLION FOR CORN HAS ALREADY BEEN DRAWN (BUT HAS NOT YET APPEARED IN THE BALANCE OF PAYMENTS STATEMENT); \$5 MILLION BALANCE, FOR BARLEY, WILL NOT BE USED

C. FIRST BOSTON-MANUFACTURERS HANOVER REVOLVING CREDIT. THIS \$80 MILLION LINE REPAID AT THE END OF 1975, CONTINUES AVAILABLE THROUGH 1977.

D. FIRST BOSTON CONSORTIUM 1973 EUROLOAN. \$86 MILLION REMAINS FROM THIS \$200 MILLION LOAN. (\$114 MILLION WAS DRAWN IN 1975 WHICH, TOGETHER WITH THE \$200 MILLION CREDIT LYONNAIS CONSORTIUM LOAN AND \$20 MILLION CRIDLAY'S BANK MAKE UP THE TOTAL \$334 MILLION EURODOLLAR BORROWING IN 1975.)

E. CHASE MANHATTAN CONSORTIUM 1974 EUROLOAN. \$100 MILLION, NOT YET DRAWN.

F. GERMAN STATE LOAN OF 1974. OF THE DM 180 MILLION, DM 60 MILLION WERE DRAWN LAST YEAR AND DM 60 MILLION ARE AVAILABLE THIS YEAR.

G. FRENCH LOANS OF 1975. FRENCH STATE LOAN OF FRENCH FRANC 25 MILLION AND FRENCH FRANC 100 MILLION CREDIT FACILITIES HAVE NOT BEEN DRAWN YET.

H. IMF. THE IMF AGREED THIS MONTH TO GREECE'S DRAWING OF THE EQUIVALENT OF SDR 58 MILLION UNDER THE FUND'S COMPENSATORY FINANCING FACILITY BECAUSE OF GREECE'S LIMITED OFFICIAL USE

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1976 EXPORT SHORTFALL.

I. EUROPEAN COMMUNITY. THE SECOND FINANCIAL PROTOCOL PROVIDES 280 UNITS OF ACCOUNT FOR THE PERIOD 1976-80, SOME OF WHICH MAY BE DRAWN THIS YEAR.

J. IBRD. DISBURSEMENTS FROM PROJECT-TIED LOANS WILL CONTINUE, CORRESPONDING TO IMPLEMENTATION OF PROJECTS.

K. NATIONAL BANK OF GREECE. THE NATIONAL BANK IS CURRENTLY NEGOTIATING WITH A GERMAN CONSORTIUM FOR A DM 150-200 MILLION EUROLOAN.

I. CITIBANK. \$25 MILLION FOR THE HELLENIC AEROSPACE INDUSTRY, ALL OF WHICH HAS BEEN DRAWN.

M. PPC BORROWING. PPC IS NEGOTIATING WITH A CONSORTIUM HEADED BY BANKER'S TRUST INTERNATIONAL, LTD. FOR A LOAN OF \$75 MILLION TO COVER ITS INVESTMENT PROGRAM.

2. PRELIMINARY EIGHT-MONTH BALANCE OF PAYMENTS DATA SHOW GREEK STATE AND BANK OF GREECE BORROWING OF ONLY \$76 MILLION, COMPARED TO WELL OVER \$400 MILLION FOR THE SAME PERIOD LAST YEAR. PART OF THIS IS ATTRIBUTABLE TO RECORDING LAGS AND THE NON-RECORDING OF MILITARY AID AS DESCRIBED ABOVE. MORE IMPORTANTLY, IN CONTRAST TO 1975, WHEN THE BANK OF GREECE, EXTREMELY ANXIOUS OVER SHORT-TERM BALANCE OF PAYMENTS PROSPECTS, BORROWED HEAVILY ON EURO MARKETS EARLY IN THE YEAR, THE GREEK AUTHORITIES THIS YEAR HAVE ADOPTED A "WAIT AND SEE" ATTITUDE, WHILE ALLOWING FOREIGN EXCHANGE RESERVES TO DRIFT AS LOW AS \$836 MILLION IN MAY. THE RESERVE LEVEL ROSE TO \$920 MILLION BY MID-SEPTEMBER, LARGELY REFLECTING HEAVY INFLOWS OF FOREIGN EXCHANGE DEPOSITS BY EMIGRANTS WORKERS AND SEAMEN. WE EXPECT LARGER DRAWINGS ON OFFICIAL LOANS TO OCCUR SOON, IN ANTICIPATION OF TRADITIONALLY HEAVIER PAYMENTS TO COVER IN THE LAST QUARTER OF THE YEAR, AS OTHER FOREIGN EXCHANGE RECEIPTS SLOW DOWN.

3. WITH 1977 BALANCE OF PAYMENTS PROSPECTS CLOUDED MAINLY BY UNCERTAINTIES OVER ECONOMIC CONDITIONS IN KEY WESTERN LIMITED OFFICIAL USE

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EUROPEAN COUNTRIES, BANK OF GREECE DEPUTY GOVERNOR KYRIAZIDES TOLD ECONOMIC COUNSELOR THAT GREECE MAY ASK FOR A SECOND TRANCHE FROM THE IMF, WHICH WOULD BE 34.5 MILLION SDRS. IN ADDITION, GREECE WOULD LIKE TO RESTRUCTURE ITS EURODOLLAR INDEBTEDNESS, MOST OF WHICH, IS ON FIVE-YEAR TERMS. IN THIS CONNECTION, KYRIAZIDES NOTED THAT FIRST BOSTON CORPORATION HAD, AT ITS INITIATIVE, PROPOSED A PRIVATE PLACEMENT AMONG BANKS OF \$150-200 MILLION AT SEVEN YEARS. THE BANK OF GREECE GAVE THE GO-AHEAD, AND IF THIS MATERIALIZES, WHICH IS LIKELY IN THE NEAR FUTURE, GREECE MAY WELL DRAW ON IT RATHER THAN THE STILL-AVAILABLE EUROLOANS DESCRIBED UNDER (D) AND (E), ABOVE.

4. KYRIAZIDES ALSO ADDED THAT THERE IS NO SUBSTANCE

TO RUMORS THAT GREECE MAY TRY TO FLOAT A LARGE BOND
ISSUE IN THE US, AN IDEA FLOATED BY GREEK PARLIAMENTARIAN
CANALLOPOULOS, AN ECONOMIC EXPERT FOR THE MAIN
OPPOSITION PARTY, DURING HIS RECENT VISIT TO
THE US. THE GOG HAS EXAMINED AND REJECTED THIS IDEA,
KYRIAZIDES SAID; IT WOULD RATHER DEAL WITH BANKS THAN
WITH BONDHOLDERS.
KUBISCH

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